

Johnson & Johnson CEO to step down in April

February 22 2012, By LINDA A. JOHNSON , AP Business Writer

(AP) -- Johnson & Johnson's longtime CEO Bill Weldon is stepping down as the health care giant's top executive after an embarrassing string of recalls of everything from Tylenol to Benadryl that has cost the company hundreds of millions of dollars and consumers' trust.

The maker of Band-Aids and biotech drugs said Tuesday that Alex Gorsky, vice chairman and head of the company's largest business by revenue, will become [CEO](#) on April 26, the day of its annual shareholder's meeting. Weldon, who as CEO since 2002 helped the company grow through acquisitions and licensing deals, will remain chairman of the board for the time being.

The change at the top comes as the company struggles to regain its footing after a series of more than two dozen product recalls since September 2009, for reasons from bacterial contamination to liquid medicines that may contain tiny glass or metal. While there haven't been reports of patients harmed by the recalled products, the sheer volume is likely unrivaled in the industry.

Congress has been probing J&J's handling of the recalls, including a "stealth recall" in 2008 in which the company paid a third party to quietly buy up packages of faulty meds from stores. Federal regulators have had three of J&J's factories under increased scrutiny for nearly two years, and one, in Fort Washington, Pa., is being completely rebuilt. J&J also faces lawsuits over the recalls, including a recent one in which a family alleges its toddler died shortly after ingesting a "super dose" of

Tylenol.

The recalls have hurt the company's performance, too. Under Weldon's tenure, J&J's revenue slightly more than doubled to \$65 billion last year. But lost sales from all the recalled products not on store shelves have cost the company more than \$1 billion. Meanwhile, J&J shares plunged from nearly \$72 in early 2009 to \$48 after the recalls began, and have been stuck in the mid-60s for about a year.

Weldon has repeatedly assured investors and consumers that he had the problems with the recalls under control, only to have another recall pop up. Last April, for instance, he charmed shareholders with a pledge that brighter days were coming. But as recently as last week, J&J announced that it would recall about a half a million bottles of infant Tylenol because of complaints about bottle tops meant to make doses easier collapsing in some cases.

Meanwhile, as the company worked to resolve the problems associated with the recalls, several executives below Weldon departed suddenly. One of them was Colleen Goggins, the former head of the consumer health business, where many of the recalls originated.

A handful of analysts had been calling for Weldon's ouster, saying J&J had abandoned its highly touted corporate credo, displayed prominently at headquarters, that stresses responsibility to patients, doctors and nurses. Others said they thought the succession planning had long been in the works.

"While I am sure the board was not happy with the [recalls](#) that have plagued (J & J), I am not convinced Mr. Weldon was pushed out due to the latest recall," wrote Edward Jones analyst Linda Bannister.

The departure of Weldon, who has spent his entire 41-year career at J&J

working his way up to chief executive, is being described by the company as normal succession planning. Weldon had repeatedly said he had no plans to leave unless asked to do so by the board of directors, which has long been loyal to him. But late Tuesday, Weldon, 63, said in a statement: "I look forward to the transition of leadership."

"The way I read it is, he wouldn't have left on his own if he didn't think the company was on its way to recovery," said Miller Tabak & Co. analyst and fund manager Les Funtleyder.

Gorsky and Sherri S. McCoy, who heads both the pharmaceutical and consumer businesses, had been considered the most likely successors to Weldon after both were named company vice chairmen in January 2011. McCoy will become vice chairman of the executive committee and report to Gorsky once he becomes CEO.

Gorsky leads the company's medical devices and diagnostics unit, which J&J claims is the largest business of its kind in the world. Besides that, he oversees 140 manufacturing facilities around the world. He's also in charge of both government affairs and policy, and the company's venture capital subsidiary, called the Johnson and Johnson Development Corp.

"I'm honored that the board has placed such confidence in me, and I am also aware of the serious responsibilities that come with this office," Gorsky, 51, said.

Pharmaceutical manufacturing expert Girish Malhotra said he considered the management shake-up at J&J an overdue firing of Weldon. But Malhotra wrote that the heads of manufacturing and accounting should also be fired, and the board dismissed.

"How a global icon of care and quality could not control its practices is just beyond imagination," he wrote. "I am not sure Mr. Alex Gorsky

would be able to clean the house quickly to restore confidence in the [company](#). Time will tell."

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